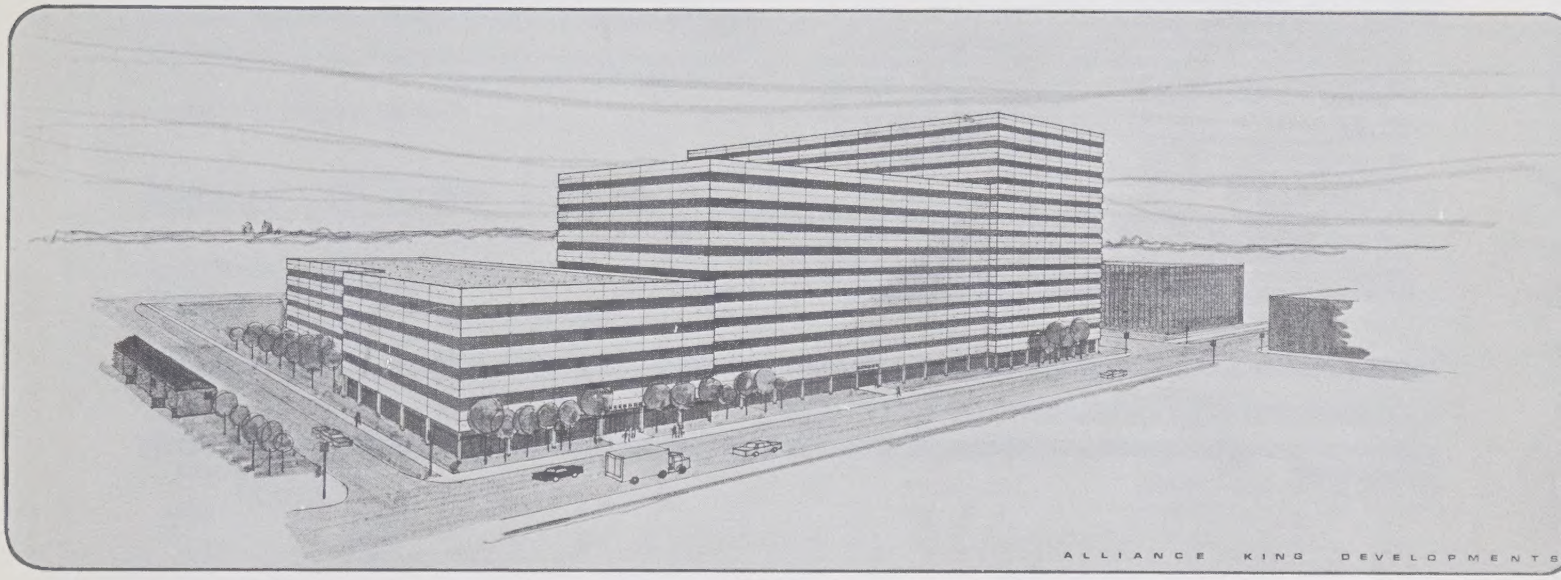
AR03

ALLIANCE BUILDING CORPORATION LIMITED

Cancorp



ALLIANCE
BUILDING CORPORATION LIMITED

SIX MONTH REPORT / AS AT JUNE 30, 1973

Alliance Building Corporation Limited

Dear Shareholders:

We are submitting herewith the unaudited Consolidated Financial Statement for the six month period ending June 30, 1973 together with comparative figures of earnings for the same period in 1972. Earnings from operations increased to $1,974,357.00 as compared to $323,873.00 for the same period last year.

Our cash flow per share increased from 29.5c to $1.49 and our earnings per share increased from 12.9c to 60.4c.

We are pleased to report that our assets on a six month's basis increased by $5,570,928 and on a twelve month basis increased by $11,471,619. A great deal of the increase in assets is due to our involvement in land development and industrial building activity for the past period.

The following are some of the highlights of the six months to June 30, 1973.

(1) Ajax
Activity in our Ajax properties is proceeding quite satisfactorily. Two Industrial Malls have been built and are basically leased and we are presently constructing three additional buildings. All the townhouses in our second condominium project have been sold and plans are being prepared for additional townhousing and residential development during the next year. We are also planning a large scale apartment development and these plans will be announced at a later date.

(2) Housing
All of the condominium townhouses in Barrie have now been sold and construction has started on phase one of our townhouse development in Dundas, Ontario.
Plans are also being finalized for our building programs in Unionville and Hamilton. Our residential land bank has been augmented by significant purchases in North York, Scarborough, Markham Township, Whitby, Georgetown and St. Catharines and plans are being prepared for the construction of both single family and townhouse units in these areas. We have also added to our residential land portfolio in the town of Milton and plan to have two large scale developments ready for the Spring.

(3) Industrial Parks
The vacancy rate in our Industrial Malls remains at a significantly low level. We are pleased to report that we have successfully leased our first two buildings in the Orangeville and Barrie Industrial Parks and are now proceeding with new developments in Vaughan, Markham, Oakville and Milton. Our new Industrial buildings in North York and Etobicoke are coming on stream at this time and we anticipate a very satisfactory renting program. Additional buildings are being constructed in Mississauga, and Brampton. The rate of growth for our Industrial buildings will enhance our investment portfolio quite substantially by the end of the year.

(4) Ottawa
We have commenced operations in the Ottawa-Hull area and in the fall will be constructing approximately 169 rental apartment units, 60 condominium apartments and 64 townhouse condominiums in the city of Ottawa. We have also purchased residential acreage for development in Pointe Gatineau (Hull Quebec) and this land will be ready for building sometime next spring.

(5) King-Square
In our Annual Report we pointed out some of the difficulties we were having with municipal authorities with respect to the development of our King-Bathurst project in Toronto. We are pleased to report that these matters have been cleared up to our mutual satisfaction and construction has started on stage 1. This project, which eventually will encompass 1,260,000 square feet of industrial and commercial space, and should prove to be an exciting and innovative type of accommodation for downtown Toronto and we are very confident of its short and long term renting success.

(6) Land Banking
Several exciting new projects have been acquired to round out our land banking activities. We anticipate that the results of these acquisitions will show up over the next two to three years.

We are proud of the dramatic improvement in first half results and expect the second half to make a significant contribution to the years earnings.

We are looking forward to an exciting period of development, expansion and growth for your Company.

On behalf of the Board of Directors,

DAVID SATOK,
President.

August 27, 1973

Consolidated Statement of Earnings

(Unaudited)

	Six Months Ended June 30 1973	1972
	$	$
REVENUE PRODUCING PROPERTIES		
Rental income	1,093,870	691,057
Operating costs (before depreciation)	805,961	555,055
Net rental income	287,909	136,002
PROPERTY SALES		
Sales of land and buildings	7,048,728	2,013,675
Cost of sales	5,202,821	1,747,926
Income from property sold	1,845,907	265,749
OTHER INCOME	157,472	68,732
TOTAL OPERATING INCOME	2,291,288	470,483
Expenses	316,931	146,610
EARNINGS FROM OPERATIONS	1,974,357	323,873
Deduct: Depreciation and amortization	37,435	28,426
Deferred income taxes	968,300	147,500
Minority interest	167,648	—
NET EARNINGS FOR THE PERIOD	800,974	147,947
EARNINGS PER SHARE	$.604	$.129
CASH FLOW PER SHARE	$1.49	$.295

See accompanying notes.

Assets

	JUNE 30 1973 (Unaudited) $	December 31 1972 $
REAL ESTATE, at cost:		
Revenue producing properties, less accumulated depreciation of $135,057 (1972 – 110,065)	11,410,737	9,877,075
Real estate under construction	4,070,134	3,654,468
Land held for development	10,441,758	9,272,953
	25,922,629	22,804,496
MORTGAGES AND ACCOUNTS RECEIVABLE	3,616,919	3,079,726
EQUITY IN AND ADVANCES TO JOINT VENTURES AND PARTNERSHIPS	3,079,179	1,305,422
FIXED ASSETS – at cost, less accumulated depreciation of $111,639 (1972 – $72,736)	1,163,568	1,170,913
SUNDRY ASSETS AND PREPAID EXPENSES	930,010	533,106
CASH	—	247,714
	34,712,305	29,141,377

Liabilities

	JUNE 30 1973 $	December 31 1972 $
BANK INDEBTEDNESS	3,153,249	41,859
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	1,504,014	2,351,182
MORTGAGES PAYABLE	19,193,297	17,755,312
8½% CONVERTIBLE DEBENTURES	3,000,000	3,704,000
DEFERRED INCOME TAXES	2,921,861	1,963,932
MINORITY INTEREST	318,457	156,054
	30,090,878	25,972,339

Shareholders' Equity

	JUNE 30 1973 $	December 31 1972 $
CAPITAL		
Authorized:		
361,615 Preference shares, par value, non-voting, issuable in series		
10,115,234 Common shares no par value		
Issued:		
1,405,016 Common shares (1972 – 1,155,971)	2,582,082	1,639,467
Preferred shares (1972 – 29,120)	—	291,200
RETAINED EARNINGS	2,039,345	1,238,371
	4,621,427	3,169,038
	34,712,305	29,141,377

Approved on behalf of the Board of Directors

D. Satok, *Director*

Graeme G. Kirkland, *Director*

See accompanying notes.

Consolidated Statement of Retained Earnings

	JUNE 30 1973 (Unaudited)	December 31 1972
	$	$
BALANCE – BEGINNING OF PERIOD	1,238,371	795,642
Net earnings for the period	800,974	463,527
Surplus on redemption of preference shares	—	927
Dividends on preference shares	—	21,725
BALANCE – END OF PERIOD	2,039,345	1,238,371

See accompanying notes.

Consolidated Statement of Source and Use of Cash

(Unaudited)

	Six Months Ended June 30 1973	1972
	$	$
SOURCE OF CASH:		
Net earnings	800,974	147,947
Add (Deduct): Minority interest	167,648	—
Depreciation and amortization	37,435	28,426
Deferred income taxes	968,300	147,500
Dividends paid on preference shares	—	(11,393)
CASH FLOW FROM OPERATIONS	1,974,357	312,480
Increase in bank indebtedness	3,359,104	220,110
Proceeds from mortgages and loans – net	1,437,985	2,043,926
Proceeds from issue of shares	8,550	139,168
Discount on redemption of preference shares	—	92
	6,779,996	2,715,776
USE OF CASH:		
Additions to real estate	3,118,133	38,497
Advances to joint ventures and partnerships	1,773,757	101,640
Reduction of accounts payable	847,168	(89,361)
Mortgages and receivables – net	537,193	241,207
Net change in other assets and liabilities	503,745	586,293
Assets less liabilities of subsidiary companies acquired	—	1,837,500
	6,779,996	2,715,776
CASH FLOW PER SHARE	$1.49	$.295

See accompanying notes.

Notes to Consolidated Financial Statements

Six Months Ended June 30, 1973

1. The consolidated statement of earnings includes the company's share of income and revenue of joint ventures and partnerships. The 1972 figures have been restated accordingly.
2. The calculation of cash flow and earnings per share is based on the weighted average of the number of shares outstanding during the period.

   If all the stock options, warrants, and the debenture outstanding, had been converted into common shares, and dividends and interest not paid, and the cash proceeds employed in the normal course of business, fully diluted cash flow and earnings per share would be as follows:

	Cash flow per share fully diluted	Earnings per share fully diluted
1973	$1.083	$.444
1972	$ .240	$.111